



## ROMNEY'S EDUCATION PLAN: Recognizing the Success of Special Education Vouchers

Marcus Winters  
*Senior Fellow*

In a major address and policy white paper on education, Massachusetts governor Mitt Romney proposed to allow students enrolled in special education programs to use the federal dollars tied to their disability to attend a public, charter, or (when permitted by state law) private school of their choice.

The basic principle behind Romney's plan—that the dollars spent to educate a child should be portable as students move to their preferred school—is a powerful one with the potential to fundamentally improve the relationship between students and their schools. Of course, special education is primarily a state and local responsibility and any president's policies will have effect only at the margins.

Nonetheless, if enacted, Romney's proposed policy could set an important precedent that further pushes states in a direction many of them have drifted over the last decade. At worst, Romney's plan would better utilize the relatively small amount of federal resources in education. At best, this policy might encourage states to buttress the effectiveness of federal reform by allowing state and local education dollars to follow students as well. Florida's decade-long experience with special education vouchers suggests that Romney's proposal would indeed be effective policy.

## SPECIAL EDUCATION

Since 1975, a federal law known as the Individuals with Disabilities Education Act (IDEA) has mandated that public schools offer a free and appropriate education for all students with disabilities. The law requires school districts to develop an Individualized Education Plan (IEP) for all disabled students. An IEP is essentially a legally enforceable contract between the school district and the disabled child's guardians outlining the services that the student is entitled to receive and the district's plan for implementation.

Special education touches more lives than many people recognize. Since IDEA services were first offered in 1976-77, the percentage of all public school students enrolled in special education has increased from 8.3 percent to 13.1 percent.

When most people think of disabled students they envision children with severe disabilities such as Down syndrome or mental retardation. In fact, the majority of students enrolled in special education have been diagnosed with relatively mild disabilities.

By far the largest and fastest growing special education designation is the subjectively diagnosed category of Specific Learning Disability (SLD). SLD accounts for more than a third of all special education diagnoses and includes about one of every twenty public school students.

The rapid growth in special education has made the issue an increasing concern for policymakers at all levels of government. Providing services to disabled students is costly, and thus the growth in the program puts strains on budgets.

Though the federal IDEA law is the foundation for special education, the services are primarily funded by states and localities. The most recent evaluation of total spending on special education services available found that federal funds accounted for an average of about 8 percent of all special education expenditures,

with the remaining 92 percent left distributed to states and localities.<sup>1</sup>

IDEA is frequently described as an unfunded mandate because the law allows congress to fund the program for 40 percent of the average per-pupil expenditure of American students, but the federal appropriation has never come near that margin. The federal appropriation to states for IDEA was \$12,640,709,000 in 2012,<sup>2</sup> which equates to about \$1,950 per student in special education<sup>3</sup>, or about 16 percent of the average expenditure per-pupil.<sup>4</sup>

The relatively small share of special education funding that comes from the federal government could significantly limit the effects of Governor Romney's proposed policy if it is enacted in isolation. The policy would effectively tie an average of about \$1,950 to students that they could use to pay tuition at their chosen school. While this alone would be unlikely to pay the full tuition at most private institutions, it could provide a meaningful supplement to parents looking for educational alternatives. The policy could also provide an incentive for state legislatures to leverage federal reforms by tying state and local special education funds to individuals, thus dramatically increasing the anticipated effect from the policy.

## FOLLOWING FLORIDA'S EXAMPLE

By allowing dollars to follow disabled students no matter where they go to school, Governor Romney's proposal would essentially voucherize the federal portion of funding for special education under IDEA. The proposal is a federal extension of programs that are now operating in several states and were originally developed by Florida's McKay Scholarship Program for Students with Disabilities (from here, McKay).

Florida adopted McKay statewide in 2001 under the leadership of Governor Jeb Bush. The program provides any student with an IEP who has been enrolled in a Florida public school for at least a year the opportunity to use the money tied to their education

to pay tuition at another public or private school. In dollar terms, the voucher is worth the lesser of the cost of educating the child in the public school or the tuition charged by the accepting school.

The program has expanded considerably since its inception. Last year 22,198 students took advantage of the program to attend one of 1,013 participating private schools.<sup>5</sup>

Several states have recently followed Florida's example and adopted McKay-style policies of their own. Voucher programs for disabled students are now also operating statewide in Georgia, Louisiana, Oklahoma, and Utah. Florida also recently expanded its policy to cover students with special needs who are educated in a mainstream educational setting. Legislatures in several states are reportedly considering such policies.

Governor Romney's policy would allow federal IDEA dollars to follow disabled students in much the same way that McKay does for state and local dollars. By adding federal dollars into the pot, the proposed policy would increase the available resources offered by current statewide policies. For states that do not already have McKay-type programs, Romney's proposal would have a marginal direct effect because the dollars are so limited. However, the policy would set an important example within all states for how resources can follow children into their chosen school. Such a precedent could prove powerful. However, though a big step in the right direction, it is important to understand that the limited federal dollars involved ensure that Romney's proposed policy would only have a substantial effect on students if it is followed by state legislation allowing other funds to move with the child as well.

In what follows, we consider the benefits of a system that allows not only federal but also state and local funds to follow disabled students to their desired school. Enacted in isolation, Romney's federal proposal might have such effects on the margins. However, if the law were to encourage states to

adopt McKay-style policies—several of which have already done and several more have seriously considered it—the experience with McKay suggests that the policy could have several important effects on student outcomes.

## SUPPLEMENTING LEGAL ACCOUNTABILITY WITH MARKET ACCOUNTABILITY

IDEA's requirement that public schools provide services to disabled students was a substantial improvement over the previous status quo, under which disabled students were routinely denied access to a public education. However, the current system is not the most effective way to ensure that disabled students receive needed services. By supplementing legal protections with market incentives, school choice for special education students can only improve the education provided to disabled students.

Under the current system, a parent who believes that his child is not receiving appropriate services under the IEP can take the school district to court. Legal protections can be essential for ensuring at least minimal access to public services.

Under the current system, however, parents are in a much weaker position *vis-à-vis* the school district when the issue is considered by a judge. Parents go through the process only once and may lack the financial resources necessary to carry out a lengthy legal battle, while school districts have the institutional knowledge and lawyers necessary to fight any claim. Time also serves as a major disadvantage for parents. The process of challenging an IEP in court can take months and sometimes years to complete. During that time, the child gets older and progresses through school without the services his parents want him to receive. According to research by Thomas Mayes and Perry Zirkel, school districts win challenges to IEP's about 63 percent of the time.<sup>6</sup> That figure does not include parents who decided not to put in the time and effort necessary to sue their school district given such a small probability of timely success.

Many special education advocates are wary of policies that would send disabled students to private schools because private schools are not required by law to follow the child's IEP. But parents can always choose to send their child to a public school where they will have access to an IEP. Providing students with the resources necessary to pay tuition at another school only empowers parents by allowing them to avoid a legal showdown and enroll in another school willing to provide the agreed-upon services.

In fact, most parents of disabled students who leave for a private school don't seem to miss their IEP. A survey conducted by the Manhattan Institute found that only 30.2 percent of parents using McKay vouchers to attend a private school reported that their previous public school had provided the services required under the IEP, while 86 percent reported that their chosen private school provided the services it promised despite not being legally required to do so.<sup>7</sup>

Choice serves an important accountability function ensuring that all disabled students receive the services they need. The more than 22,000 program participants in Florida's policy are testimony to the program's value—no parent is required to utilize a McKay voucher, and thus participation represents an active choice to attend a school other than their assigned public school.

## IMPROVING EDUCATIONAL OUTCOMES FOR ALL STUDENTS

Providing disabled students with the resources to attend their chosen school allows them to find the educational environment best-suited to meet their needs. But the potential for special education vouchers goes much further. There is both theoretical and empirical reason to suspect that such a program would improve the education provided by public schools to both their disabled and non-disabled students.

Dire predictions that school choice programs would harm achievement in public schools have not been

borne out over the last two decades of experiments with charter schools and voucher programs. On the contrary, a recent review by Brian Gill and Kevin Booker of a growing body of research finds that school choice programs have either a null or slight positive effect on achievement within public schools.<sup>8</sup> Such positive effects likely occur because public schools respond to a market incentive to improve by breaking their monopoly over the education of students within their enrollment zone.

Further, there is evidence to suggest that exposure to school choice programs targeted to special education students might be particularly beneficial to public school performance and expand to non-disabled students who are not eligible for the program. That's because special education vouchers turn the conventional argument against school choice programs on its head.

Despite the empirical evidence to the contrary, many critics continue to contend that school choice programs harm public school productivity by "cream-skimming" the best and brightest students out of the public system. If true, such a process would be expected to reduce public school performance because research suggests that students learn more when they are surrounded by higher quality peers.<sup>9</sup>

However, my colleague Jay Greene and I show in a recently published paper that the cream-skimming argument has very different implications when considering special education voucher programs.<sup>10</sup> Unlike more conventional means-tested voucher programs that are likely to be used by most eligible parents, vouchers available only to students with disabilities will almost by definition target the lowest performing students in the school. In fact, most students with a mild disability such as SLD were diagnosed precisely because they were performing worse academically than their peers. Thus, by removing struggling students, special education voucher programs would be expected to *increase* peer quality within public schools. This peer effect would

influence both disabled and non-disabled students because the majority of students with mild disabilities are primarily educated in regular classroom environments: According to the U.S. Department of Education, 59 percent of SLD students in the United States spend 80 percent or more of their time in a general classroom environment, and only 15 percent of them spend 60 percent or more of their time outside of a general class.<sup>11</sup>

We tested this theory using a rich dataset following the universe of test-taking students in Florida over a sustained period of time. Our research found a direct relationship between the number of nearby private schools willing to accept McKay vouchers and student achievement in public schools. Both disabled and non-disabled students benefitted from increased exposure to the McKay program in the form of higher math and reading test scores.

## REDUCING THE COST OF SPECIAL EDUCATION

Special education vouchers represent an opportunity for enormous cost savings. Since the voucher is worth at maximum the amount that the public school would have spent on the student, the program is at least cost neutral (minus the administrative cost). However, in practice a large number of students attend private schools that charge far less in tuition than the public schools spend per pupil.

Because it costs more to educate a disabled student than a non-disabled student, the voucher amount can be quite substantial. The voucher amount offered to Florida students last year ranged from \$4,752 to \$19,510, with an average value of \$7,209.<sup>12</sup> However, Florida spent an average of \$10,900 per pupil for all of its students in 2008-09, the most recent year for which data are available by the federal government.<sup>13</sup> The amount is much greater for students with disabilities. That is, it costs Florida less to pay for a disabled student to attend the private school of her choice than it does to pay for an average student to

attend one of its public schools. The potential direct cost savings are enormous.

Under Governor Romney's plan, federal funding to follow the child would in the vast majority of cases be insufficient to pay the entire tuition at an alternative school. However, if states followed the example by allowing their own dollars to follow students as well, such a program would be expected to save substantial resources.

## SLOWING THE GROWTH OF SPECIAL EDUCATION ENROLLMENTS

Special education vouchers can also save money indirectly, as well as help student to avoid an unnecessary label, by reducing the number of students placed into special education programs in the first place. The programs can do this by reducing the financial incentive that schools have to classify low performing students as disabled even if they are not.

Most states fund special education on a per-student basis. If the money provided to fund a student's special education services is greater than the cost of providing those services, then the school has a financial incentive to classify as many students as possible.

A growing body of research finds evidence that schools respond to financial incentives when determining whether or not to classify students as disabled. For instance, University of California economist Julie Berry Cullen estimated that financial incentives accounted for nearly 40 percent of the growth in special education rates in Texas during the 1990s.<sup>14</sup>

Special education vouchers can reduce the financial incentive to misclassify students. One feature that separates special education voucher programs from more conventional school choice policies is that the school plays an integral role in determining student eligibility. Schools are less likely to misclassify a student as disabled for the funding premium if doing so provides the student with a voucher that he can use to take his funding to another public or private school. Our recent study found evidence that increased ex-

posure to private competition from Florida's McKay program was related to a decrease in the probability that a student was classified as having an SLD.

## CONCLUSION

Florida's experience with the McKay program suggests that special education voucher programs can improve educational outcomes while saving taxpayer dollars. Governor Romney's plan to tie IDEA dollars to stu-

dents as they move across schools would likely have a limited direct effect on student outcomes because of the relatively small share of special education expenditures borne by the federal government. However, by improving the parent's ability to send their child to their chosen school, the policy would make better use of federal funds. Further, the policy could set a precedent to be followed by the states that could lead to substantial changes in special education financing and outcomes.

## ENDNOTES

<sup>1</sup> <http://csef.air.org/presentations/KS%20SE%20presentation%203-1-06.pdf>

<sup>2</sup> <http://www2.ed.gov/about/overview/budget/budget12/12action.pdf>

<sup>3</sup> Calculated using special education enrollment data from the 2009-10 school year from Digest of Education Statistics 2011, Table 46.

<sup>4</sup> Calculated using total expenditures per pupil in school year 2008-09, Digest of Education Statistics 2011, Table 192.

<sup>5</sup> [http://www.floridaschoolchoice.org/Information/McKay/files/Fast\\_Facts\\_McKay.pdf](http://www.floridaschoolchoice.org/Information/McKay/files/Fast_Facts_McKay.pdf)

<sup>6</sup> Mayes, T. A. and Zirkel P. A. (2001). Special Education Tuition Reimbursement Claims: An Empirical Analysis. *Remedial and Special Education*, 22(6), pp: 350-358.

<sup>7</sup> [http://www.manhattan-institute.org/html/cr\\_38.htm](http://www.manhattan-institute.org/html/cr_38.htm)

<sup>8</sup> Gill, B. and Booker, K. (2008). School Competition and Student Outcomes. in H. F. Ladd and E. B. Fiske eds. *Handbook of Research in Education Finance and Policy*, Routledge.

<sup>9</sup> See for instance, Hanushek, E. A., Kain, J. F., Markman, M., and Rivkin, S. G. (2003). Does Peer Ability Affect Student Achievement? *Journal of Applied Econometrics*, 18(5), pp: 527-544.

<sup>10</sup> Winters, M. A. and Greene, J. P. (2011). Public School Response to Special Education Vouchers: The Impact of Florida's McKay Scholarship Program on Disability Diagnosis and Student Achievement in Public Schools. *Educational Evaluation and Policy Analysis*, 33(2). pp: 138-158.

<sup>11</sup> Digest of Education Statistics 2009, Table 51.

<sup>12</sup> Florida Department of Education: [http://www.floridaschoolchoice.org/Information/McKay/files/Fast\\_Facts\\_McKay.pdf](http://www.floridaschoolchoice.org/Information/McKay/files/Fast_Facts_McKay.pdf)

<sup>13</sup> Digest of Education Statistics 2011, Table 192.

<sup>14</sup> Cullen, J. B. (2001). The Impact of Fiscal Incentives on Student Disability Rates. *Journal of Public Economics*, 87, pp: 1557-1589.